



Comments on Interim Charge 1: SB 1852

Texas House Committee on Insurance

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The Foundation for Government Accountability (FGA) is a nonprofit, nonpartisan organization that seeks to improve the lives of Americans. FGA's work has included extensive work on health care reform in numerous states, including on short-term plans. We wanted to comment on SB 1852 as we believe that short-term plans are an important option for consumers on the health insurance market.

FGA believes that consumers should always be informed about the health insurance products they are purchasing, but adding additional barriers to short-term plans will only harm the many residents that have been priced out of the "regular" insurance market, or are in need of coverage while in transition. The additional disclosure requirements in SB 1852, which are over and above federally required disclosure to consumers, is intended to provide consumers even more information. The legislature should revisit any of these additional requirements that prove to be a barrier to consumers accessing a short-term plan.

Short-Term Plans are for a Different Population and will Help the Uninsured

While short-term plans may not be for everyone, for the uninsured and individuals in transition, the benefits are significant. Any future efforts to restrict or ban short-term plans harms these populations. If someone likes their current plan, they can keep it, no one is forcing them to buy a short-term plan.

Short-term plans are good options for:

- The uninsured;
- Individuals between jobs or waiting for employer-based coverage;
- Individuals transitioning off of a welfare assistance program;
- Young adults leaving their parents plans;
- Recent graduates;
- Veterans transitioning out of military service on their way to school or a job;
- Individuals who missed the open enrollment period and are locked out of coverage;
- Or a retiree not yet eligible for Medicare.

These folks will all be able to purchase short-term coverage that works for them—any time. Short-term plans can be purchased at any time, unlike other plans available on the individual market, which restrict enrollment to open enrollment periods or following a life-changing event.

Hundreds of New Options at a Fraction of the Cost

Early data following the change in federal rules to allow for more flexible plans show thousands of new options on the Texas market, giving residents of the state something they haven't had in years: choice of health insurance and carrier.

By contrast, for an individual on the exchange, in about 40 percent of Texas counties, only one insurer is offering plans.¹

The data also show that these choices cost significantly less for someone that is uninsured than plans on the individual market.

A 40-year-old non-smoker in El Paso, Texas can pick from 115 different short-term plans for less than \$200 per month. Average premiums are around \$242 per month for short-term plans.

That same 40-year-old non-smoker in El Paso can't buy **any** unsubsidized plan on the individual market for less than \$200 per month. In fact, the average premium is around \$416/month with a similar deductible as many of the short-term plans.²

For the roughly five million Texans who remain uninsured, many of whom have been priced out of the market—this price difference matters and may be the difference between being able to access health insurance coverage.³

Short-Term Plans Will Co-Exist with Exchange Plans

Some critics of short-term plans predicted that the plans will cause the exchange market to implode by drawing healthy people off the exchange. But that has not happened.

Right now, most of the people who will benefit from short-term plans—the uninsured, those in transition, and others mentioned above—are currently priced out of the market. Premiums have doubled under current regulations and laws.⁴ These individuals don't qualify for subsidies, and since most are already out of the exchange market, they won't be leaving it.

That is why maintaining these new options are so important. And that is why the public supports these plans. Polling has shown that nearly two-thirds of voters across the political spectrum support allowing Americans to purchase short-term plans.⁵

¹ Edmund Haislmaier, "2018 Obamacare Health Insurance Exchanges: Competition and Choice Continue to Shrink," The Heritage Foundation (2018), <https://www.heritage.org/health-care-reform/report/2018-obamacare-health-insurance-exchanges-competition-and-choice-continue>

² Jonathan Ingram, "Short-Term Plans: Affordable Health Care Options for Millions of Americans," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/10/Short-Term-Plans-memo-DIGITAL-file-10-30-18.pdf>

³ Edward Berchick, et. al, "Health Insurance Coverage in the United States: 2018," U.S. Census Bureau, (2019), <https://www.census.gov/library/publications/2019/demo/p60-267.html>

⁴ Greg George and Nicholas Horton, "Short-Term Plans: Affordable Options for American's Uninsured," Foundation for Government Accountability (2019), <https://thefga.org/wp-content/uploads/2019/01/Short-term-Plans-Foundational-Paper-1.24.19.pdf>

⁵ FGA, "Voter Support Short-Term Plans," Foundation for Government Accountability (2018), <https://thefga.org/poll/voters-support-short-term-insurance-plans/>